

Service Date: October 10, 2002

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF MONTANA POWER	)	UTILITY DIVISION
COMPANY, Annual Application to Implement	)	DOCKET NO. D2001.12.156
Its (1) Unreflected Gas Cost Account Balance and	)	ORDER NO. 6394d
Projected Gas Cost; and (2) Gas Transportation	)	
Adjustment Clause Balance (GTAC)	)	
IN THE MATTER OF MONTANA POWER	)	UTILITY DIVISION
COMPANY, Application for Approval of a	)	DOCKET NO. D2002.1.11
Proposed Sharing of Proceeds from Sale of Gas	)	ORDER NO. 6408a
Production and Gathering Properties (D96.2.22 related)	)	

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STIPULATED FINAL ORDER

FINDINGS OF FACT

1. On December 7, 2001, Montana Power Company (now NorthWestern Energy, NWE) filed an application with the Public Service Commission (PSC or Commission) for an overall decrease in natural gas annual revenues of (\$32,311,658) to reflect the annual Gas Tracking/Unreflected Gas Cost Adjustment and Gas Transportation Adjustment Clause (GTAC) Balance procedures.

2. NWE states the decrease is required to: 1) reflect a decrease in the projected gas costs for the period November 1, 2001 to October 31, 2002; 2) amortize the balance in the Unreflected Gas Cost Account Balance (UGCA, as adjusted) for the 12-month period ending October 31, 2001; 3) amortize the GTAC Balance (as adjusted) for the 12-month period ending October 31, 2001; 4) extinguish the unit amortizations in the current tariff sheets approved pursuant to PSC Order No. 6318a. The overall net decrease associated with the adjustments created by the current tracking year's activities, is \$17,762,510, and the net decrease created by extinguishing the unit amortizations approved in last year's tracker is \$14,549,148, resulting in an overall revenue requirement decrease of \$32,311,658.

3. NWE's proposed net adjustment in this filing results in decreases of 25.51 percent to the commodity rate for core residential customers and 25.60 percent for general service customers. The utility class commodity rate will decrease 41.40 percent and the reservation rate will decrease 2.24 percent. The transportation reservation rate at the distribution level for firm service (Rate Schedule D-FTG-1) will increase 1.62 percent. The transportation commodity rates at transmission level for firm service (Rate Schedule T-FTG-1) and interruptible service (Rate Schedule T-ITG-1) decrease 11.02 percent and 2.29 percent, respectively. The storage reservation rate (Rate Schedule T-FSG-1) will increase by 4.87 percent. The core and utility rates reflect decreases, primarily, because of a decrease in this year's gas cost projections. The transportation and storage rates at distribution and transmission level change because of the net rate impact of activities associated with the GTAC mechanism.

4. NWE requests approval to extinguish the current UGCA Balance Amortization approved in PSC Order No. 6318a, and reflect the UGCA balance of \$5,083,313 (as adjusted) for the 12-month period ending October 31, 2001. Also, NWE requests that the remaining UGCA balance of (\$66,250.74) approved in PSC Order No. 6212c, the estimated UGCA balance of \$2,193,212.36 approved in PSC Order No. 6318a, and the balance of \$26,328.95 from rate refund established in PSC Docket No. D96.2.22, PSC Order No. 5898d, as approved in PSC Order No. 6318a, are included in the UGCA balance. The resulting adjusted UGCA balance proposed for amortization is \$7,236,603.57 under recovered.

5. NWE requests approval to extinguish the current GTAC Balance Amortization approved in PSC Order No. 6318a, and reflect the GTAC balance for the 12-month period ending October 31, 2001 in rates. The GTAC booked balance for the 12-month period ending October 31, 2001 is a negative \$78,411. NWE proposes to amortize this balance together with adjustments for the actual GTAC balance remaining after cessation of the prior amortization approved in PSC Order No. 6212a, pursuant to PSC Order No. 6318a and the estimated balance from PSC Order No. 6318a. The resulting adjusted GTAC balance proposed for amortization is (\$180,940).

6. On October 11, 2001, the PSC issued an order in PSC Docket No. D96.2.22 approving a Stipulation Agreement among Montana Power Company, Montana Consumer Counsel and Commercial Energy of Montana, PSC Order No. 6318c. The Stipulation

Agreement and the Order provide that a total of \$60.5 million, which includes \$4.2 million carrying charges, less the amount credited from February 1, 2001 to January 31, 2002, would be refunded to customers through the CTC-GP Credit rate from February 1, 2002 to January 31, 2003.

7. In its annual gas cost tracker, which NWE requested be implemented on January 1, 2002 and would result in a decrease of \$32.3 million, NWE stated that if the gas proceeds refund is flowed to customers as is currently agreed upon and ordered, gas customers would receive a \$32.5 million decrease this year when the tracker becomes effective and an estimated \$38 million increase next year when the gas proceeds refund is ended. To avoid this dramatic fluctuation in rates, NWE proposed the following changes to PSC Order No. 6318c to levelize the rates that customers will be required to pay over time.

8. NWE proposes the following changes to PSC Order No. 6318c:

- a. The rate change to the CTC-GP Credit rate will be made on January 1, 2002, at the same time as the gas tracker rate changes.
- b. The amount to be recovered is estimated to be \$32,689,426.
- c. The Gas Proceeds Credit will be refunded in the CTC-GP Credit rate from January 1, 2002 to December 31, 2003.

9. The net rate change resulting from the proposed amendment to Order No. 6318c will be an increase in revenue of \$15,704,415 (\$32,549,128 - \$16,844,713). When this increase is netted with the decrease resulting from the gas cost tracker filing (Docket No. D2001.12.156) of \$32,311,658, the resulting net decrease is \$16,607,254.

10. On December 18, 2001 the Commission approved NWE's request on an interim basis.

11. On February 21, 2002, Montana Consumer Counsel (MCC) staff and PSC staff met with NWE to discuss an apparent error in its filing. It was shown to NWE that the requested \$9,433,960.92 had already been included in last year's Gas Tracker, PSC Docket No. D2001.1.1. NWE staff said it would take this under advisement and respond at a later date.

12. On March 15, 2002, NWE staff met with MCC and PSC staff and accepted that its filing was indeed overestimated by the \$9,433,960.92 figure and agreed to remove it from its filing and repay the over collection plus interest.

13. On March 26, 2002, the Commission approved the reduction in NWE's filing, gave approval for an Amended Interim Order and stated that the refund would include interest at 10.75 percent.

14. On May 8, 2002, MCC filed written response testimony and on July 17, 2002, NWE filed rebuttal testimony. The stipulation, filed before the Commission, resolves the contested issues addressed in those testimonies. Other interveners Cut Bank Gas Company and Jetco did not file testimony.

15. The parties agree that the 2002 Shortfall Volume is 2,483,641 dkt and offer the following final stipulation:

- 1) The parties agree to the following methodology to calculate the recoverable 2002 Shortfall Tracker Costs:
- 2) The recoverable 2002 Shortfall Volume will be priced at \$1.60/dkt, unless the Market Price is below \$1.60/dkt, as adjusted for 6 below. If the Market Price is below \$1.60/dkt, the Market Price will be used to price the 2002 Shortfall Tracker Costs, as adjusted for 6 below.
- 3) An amount equal to the Market Price, multiplied by the 2002 Shortfall Volume, shall be removed from NWE's actual recoverable gas costs for the 2002 Tracker Period, and replaced by an amount equal to the 2002 Shortfall Tracker Costs calculated in 2 above.
- 4) If the amount of actual recoverable gas costs for the 2002 Tracker Period described in 3 above is greater than the recoverable 2002 Shortfall Tracker Costs described in 2 above, such excess actual gas costs amount shall be recoverable by NWE, up to a total amount that shall not exceed \$970,000. Any excess actual gas costs amount greater than \$970,000 shall be absorbed by NWE.
- 5) The amount of \$310,539 reflects the effect of the MMBtu annual contract quantity shortfall under the Amendment on NWE's recoverable gas costs for the previous tracker period of November 2000 – October 2001. This amount will flow to customers in the next annual gas cost tracker as

customers should have received the total volume for the contract year according to Stipulation Agreement #3.

- 6) The combined amount of the credit in 4 above and the charge in 5 above shall be divided by the 2002 Shortfall Volume and applied as an adjustment in 2 above.
- 7) The parties further agree that NWE correctly calculated the interest on the overcollection at interim rates in its revised filing made in March, 2002, and that a further adjustment is unnecessary.

16. All parties that filed testimony testified before the Commission that adoption of the proposed Stipulation Agreement would be in the public interest.

17. Upon review and consideration the Commission finds the Stipulation Agreement to be just and reasonable and is therefore approved in its entirety.

#### CONCLUSION OF LAW

1. NWE offers regulated natural gas service in the state of Montana and is a public utility under § 69-3-102, MCA.

2. The Commission properly exercised jurisdiction over NWE's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The rates herein are just and reasonable.

#### ORDER

1. NWE is hereby authorized to implement all final rate/revenue changes as outlined in the Stipulation Agreement, dated September 10, 2002.

2. To the extent this Order changes rates, NWE must file tariffs with the Commission in compliance with the Stipulation Agreement.

3. The rates which implement this Stipulated Final Order will be effective for all services rendered on and after October 8th, 2002.

DONE AND DATED in open session at Helena, Montana, this 8th, day of October, 2002, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GARY FELAND, Chairman

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JAY STOVALL, Vice Chairman

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BOB ANDERSON, Commissioner

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MATT BRAINARD, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons  
Commission Secretary

(SEAL)

NOTE:        Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.